



Disclaimer

The following investor presentation provides an analysis of the consolidated operating results and financial position of Velan Inc. (“the Company”) for the quarter ended May 31, 2023. This investor presentation should be read in conjunction with the Company’s audited consolidated financial statements for the years ended February 28, 2023 and 2022. The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). The significant accounting policies upon which these consolidated financial statements have been prepared are detailed in Note 2 of the Company’s audited consolidated financial statements. All foreign currency transactions, balances and overseas operations have been converted to U.S. dollars, the Company’s reporting currency. This investor presentation was approved by the Board of Directors of the Company on July 6, 2023. Additional information relating to the Company, including the Annual Information Form and Proxy Information Circular, can be found on SEDAR at www.sedar.com.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

In this investor presentation, the Company has presented measures of performance or financial condition which are not defined under IFRS (“non-IFRS measures”) and are, therefore, unlikely to be comparable to similar measures presented by other companies. These measures are used by management in assessing the operating results and financial condition of the Company and are reconciled with the performance measures defined under IFRS. Reconciliations of these amounts can be found at the end of this presentation. The Company has also presented supplementary financial measures which are defined at the end of this presentation.

FORWARD-LOOKING INFORMATION

This investor presentation may include forward-looking statements, which generally contain words like “should”, “believe”, “anticipate”, “plan”, “may”, “will”, “expect”, “intend”, “continue” or “estimate” or the negatives of these terms or variations of them or similar expressions, all of which are subject to risks and uncertainties. These risks and uncertainties are disclosed in the Company’s filings with the appropriate securities commissions. While these statements are based on management’s assumptions regarding historical trends, current conditions and expected future developments, as well as other factors that it believes are reasonable and appropriate in the circumstances, no forward-looking statement can be guaranteed and actual future results may differ materially from those expressed herein. The Company disclaims any intention or obligation to update or revise any forward-looking statements contained herein whether as a result of new information, future events or otherwise, except as required by the applicable securities laws. The forward-looking statements contained in this presentation are expressly qualified by this cautionary statement.

Presenters

Thank you for your attendance to our Q1 F2024 Financial Results Investor Call.



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Our markets

Navy



Nuclear



**Process &
Power**



**Severe
Service**



Oil & gas

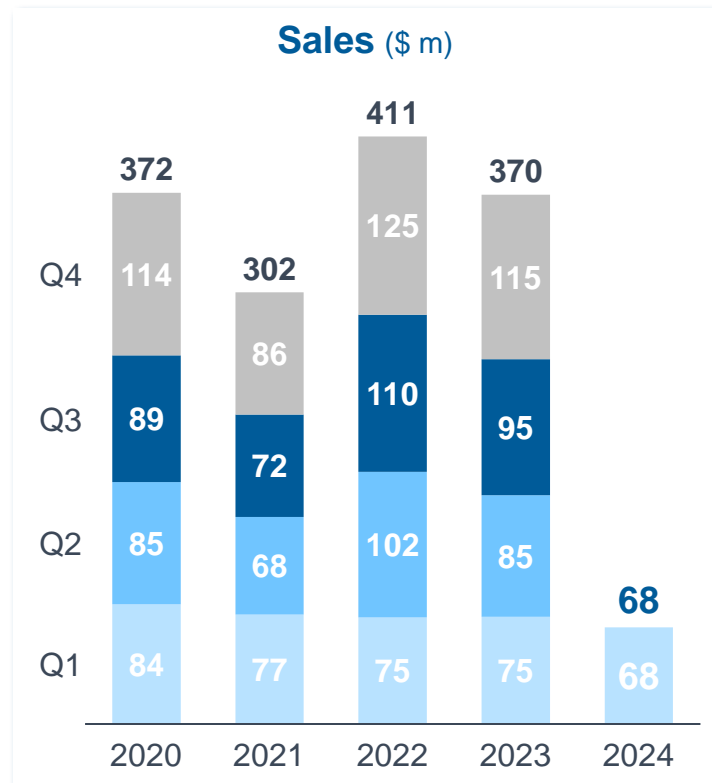


**MRO &
After-Market**



Key Highlights – Q1

- **\$67.7 m** sales, a decrease of \$7.3 m or -9.8% vs Q1-F2023.
- **\$(3.8) m** EBITDA² is \$0.9 m lower than last year. The decrease is primarily attributable to a lower gross profit, partially offset by a decrease in administration costs.
- **\$8.3 m** net loss¹ for the quarter.
- **\$490.5 m** backlog² → Increase since the beginning of the year due to strong book-to-bill ratio².
- **\$58.6 m** net cash → Net cash increase of \$8.4 m since the beginning of the year due to continued improvements in operating cash flow generation.

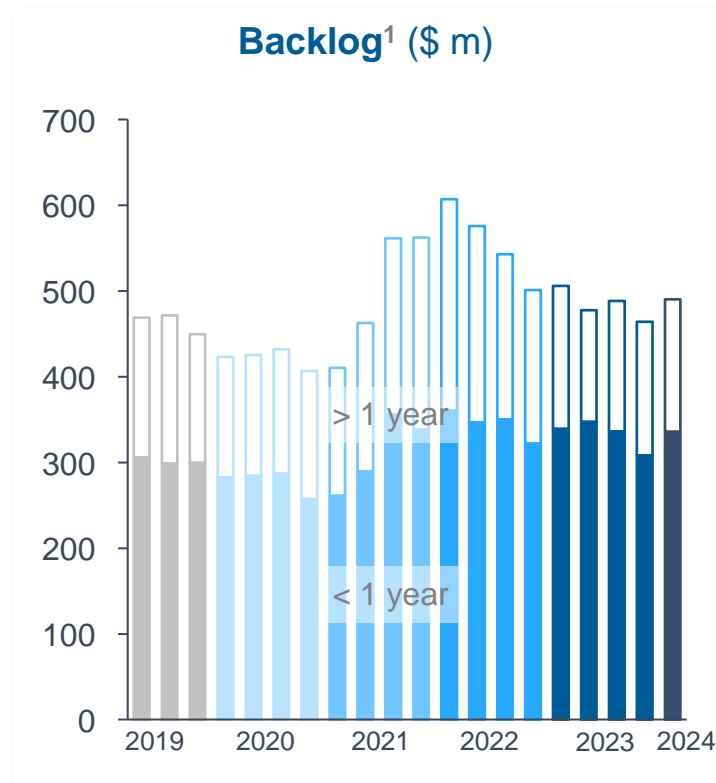


¹ Net income or loss refer to net income or loss attributable to Subordinate and Multiple Voting Shares

² Non-IFRS and supplementary financial measures – additional specifications at the end of this presentation

Backlog¹

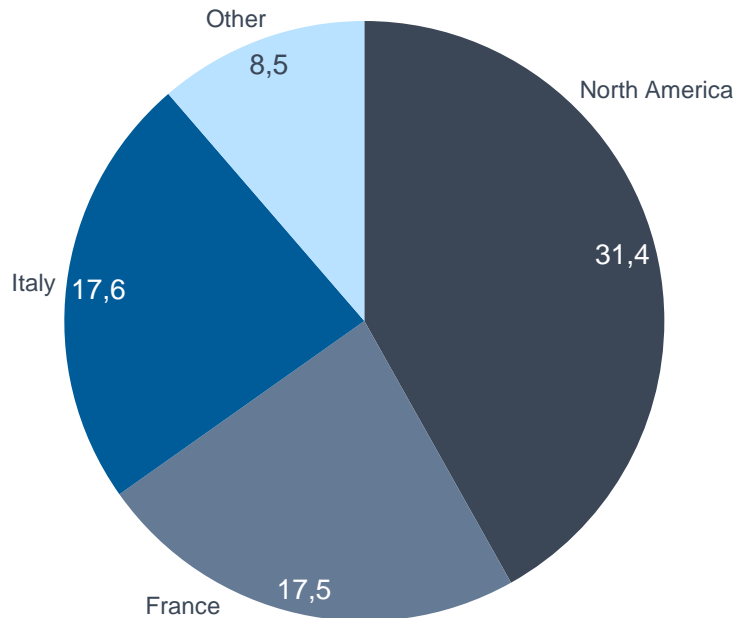
- **\$490.5 m** backlog¹.
 - **\$335.8 m** shippable in the **next 12 months**.
- **1.36 book-to-bill ratio¹** for the quarter driven by strong bookings and partly caused by an increase in finished goods not yet shipped.
- Within 12 months backlog¹ **comparable to previous year**.
- The backlog¹ was **favorably impacted by the strengthening of the euro spot rate against the U.S. dollar** since the beginning of the fiscal year which represented \$2.6 m.



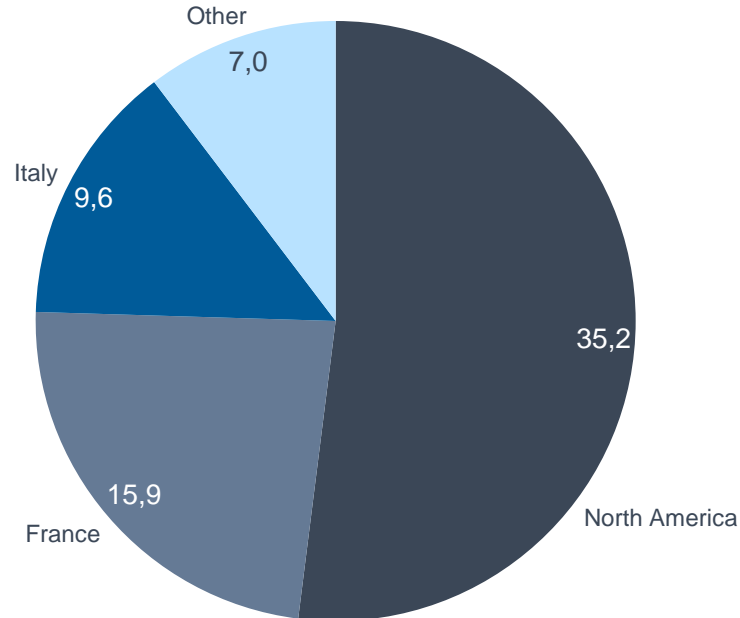
¹ Non-IFRS and supplementary financial measures – additional specifications at the end of this presentation

Sales – Decrease in sales in Italy and France partially offset by increased volume in North America

Q1 F2023 geographical sales* (in millions)



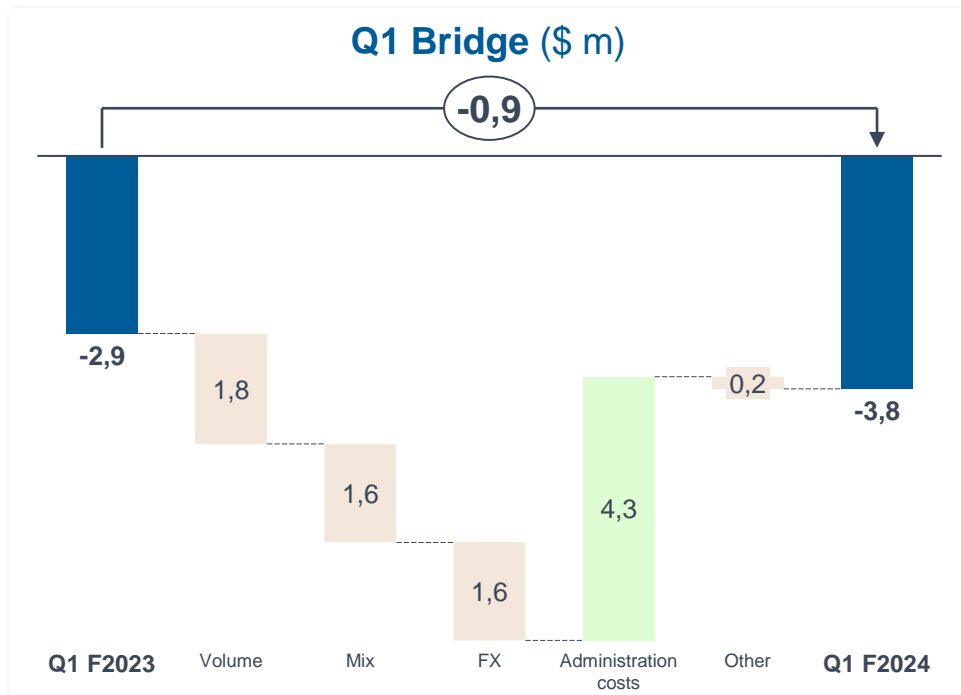
Q1 F2024 geographical sales* (in millions)



- The decrease in sales for the quarter is primarily attributable to three main elements: 1) accelerated shipments in the fourth quarter of the prior fiscal year, 2) delays on certain shipments this quarter caused by customer readiness issues, and 3) a shortage of deliverable orders in the Company's Italian operations.

*Geographical third-party sales are defined as the country where the sales was recorded.

EBITDA¹ evolution



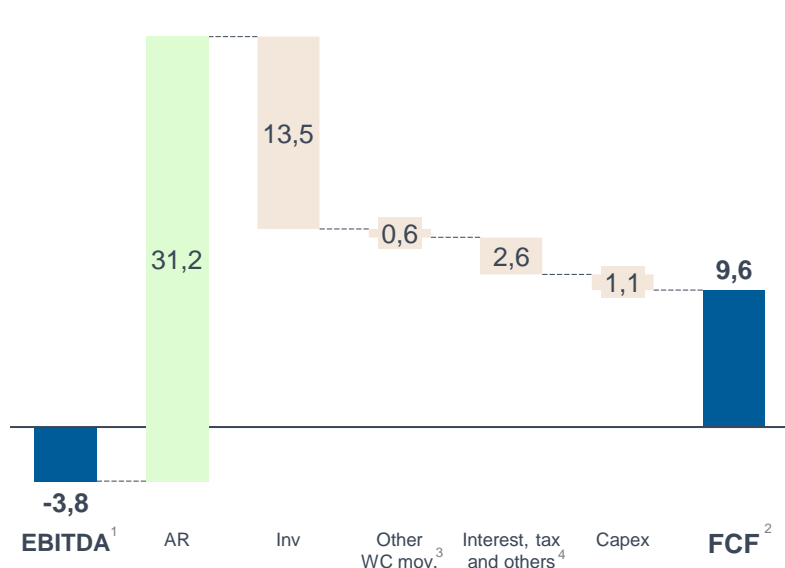
- Q1 F2024 gross profit negatively impacted by a lower sales volume, a less efficient product mix delivered, and negative FX fluctuations compared to prior year.
- The decrease was partially offset by lower administration costs, primarily related to asbestos settlements costs, which were provided for in Q4 F2023.

¹ Non-IFRS and supplementary financial measures – additional specifications at the end of this presentation

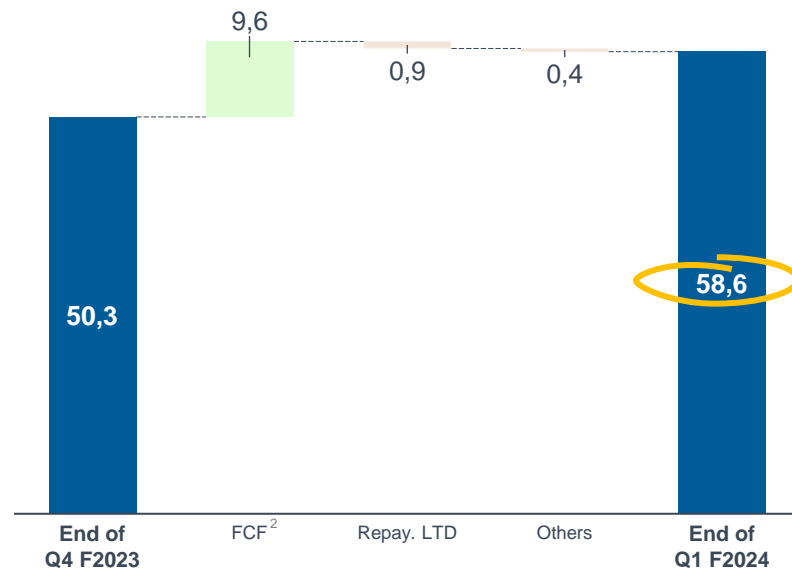
² Primarily due to a \$9.6 m gain on the disposal of a plant. See MD&A for more details.

Net cash analysis

Free Cash Flow² (\$ m)



Net cash bridge (\$ m)



- Free Cash Flow generation driven primarily by increased collections partially offset by inventory build-up.
- Net cash and overall liquidity position (net cash + unused credit facilities) for the company remains strong at **\$58.6 m** and **\$145.0 m** respectively.

¹ Non-IFRS and supplementary financial measures – additional specifications at the end of this presentation

² Free cash flow is defined as Cash provided (used) by operating activities less additions to property, plant and equipment (or Capex)

³ Includes net change in long-term provisions and customer deposits

⁴ Other adjustments are defined as loss (gain) on disposal of property, plant and equipment, minority interests, net change in derivative assets and liabilities and other long-term liabilities.

Closing Comments Q1 F2024

- The start to fiscal 2024 was impacted by temporary shipment delays, but we remain confident because :
 - Our backlog¹ has **improved** during the quarter, highlighted by similar bookings¹ than last year.
 - Our cash base **increased** during the quarter thanks to consistent focus on working capital management, continuing on the trend realized in Q4 F2023.
 - We are still working on a **large opportunity base** of bookings¹.
 - Despite a tougher quarter, **execution** remains our **top priority**, and we will address issues encountered this quarter to improve and meet our on-time delivery commitments.
 - We are dedicating all the necessary resources and efforts to prepare a successful **closing** of the transaction with Flowserve.

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NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA")

(in millions of USD)	2019			2020				2021				2022				2023				2024
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net income (loss) ¹	(2.4)	(0.2)	1.5	(5.8)	1.4	(0.8)	(11.1)	(1.9)	(5.1)	9.5	0.3	(5.1)	5.0	4.5	(25.6)	(7.4)	(3.7)	2.7	(47.2)	(8.3)
Depreciation of property, plant and equipment	2.9	2.6	3.5	2.6	2.6	2.9	2.8	2.5	2.5	2.5	2.6	2.4	2.4	2.4	2.4	2.2	2.0	2.1	2.5	2.1
Amortization of intangible assets and financing costs	0.4	0.4	0.7	0.4	0.5	0.5	0.7	0.6	0.6	0.7	0.7	0.7	0.5	0.6	0.8	0.6	0.6	0.6	0.6	0.5
Finance costs - net	0.6	0.1	0.0	0.3	(0.2)	0.7	0.5	0.3	0.0	0.2	0.3	0.5	0.5	0.6	0.7	0.2	0.4	0.4	0.5	1.2
Income taxes	(0.1)	0.5	(1.9)	(1.8)	0.9	(0.4)	9.9	1.1	(0.5)	0.9	(2.3)	0.6	2.3	5.2	38.3	1.5	2.1	0.3	4.1	0.7
Adjustment to legal provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56.0	-
Adjusted EBITDA	1.4	3.4	3.8	(4.3)	5.2	2.9	2.8	2.6	(2.5)	13.8	1.6	(0.9)	10.7	13.3	16.6	(2.9)	1.4	6.1	16.5	(3.8)

The term "EBITDA" is defined as net income or loss attributable to Subordinate and Multiple Voting Shares plus depreciation of property, plant & equipment, plus amortization of intangible assets and financing costs, plus net finance costs plus income tax provision. The terms "EBITDA per share" is obtained by dividing EBITDA by the total amount of subordinate and multiple voting shares. The forward-looking statements contained in this investor presentation are expressly qualified by this cautionary statement.

Definitions of supplementary financial measures

The term "Net new orders" or "bookings" is defined as firm orders, net of cancellations, recorded by the Company during a period. Bookings are impacted by the fluctuation of foreign exchange rates for a given period. The measure provides an indication of the Company's sales operation performance for a given period as well as an expectation of future sales and cash flows to be achieved on these orders.

The term "backlog" is defined as the buildup of all outstanding bookings to be delivered by the Company. The Company's backlog is impacted by the fluctuation of foreign exchange rates for a given period. The measure provides an indication of the future operational challenges of the Company as well as an expectation of future sales and cash flows to be achieved on these orders.

The term "book-to-bill" is obtained by dividing bookings by sales. The measure provides an indication of the Company's performance and outlook for a given period.

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Our Board of directors



James A. Mannebach

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St. Louis, Missouri, USA
Director since: 2018



Suzanne Blanchet

La Prairie, Québec, Canada
Director since: 2021



Bruno Carbonaro

Montréal, Québec, Canada
Director since: 2022



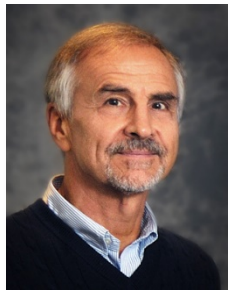
Dahra Granovsky

Toronto, Ontario, Canada
Director since: 2019



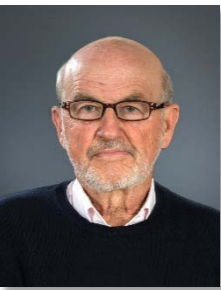
Edward Kernaghan

Toronto, Ontario, Canada
Director since: 2021



Ivan Velan

Montréal, Québec, Canada
Director since: 1970



Peter Velan

Montréal, Québec, Canada
Director since: 2022



Rob Velan

Vice-Chairman
Montréal, Québec, Canada
Director since: 2013



Tom Velan

Former Chairman
Montréal, Québec, Canada
Director since: 1976

